

Contract Revisions Guideline - 4.1.G (04/07/03)

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This guideline has been revised to:

- document procedures that the SCR should use for the execution of contract revisions,
- document considerations for the Requester and the SCR in revising contracts,
- identify documentation requirements for revisions,
- discuss unilateral revisions, and
- discuss Contractor initiated revisions.

Definitions

Directed changes under the scope of the Changes Clause of the Section II Terms and Conditions include unilateral revisions within the general scope of the contract which may be in any one or more of the following:

- drawings, designs, or specifications for SNL designed item,
- method of shipment or packing,

- place of delivery,
- the amount of Government-Furnished Property (GFP), and/or
- administrative revisions.

Cardinal Revisions or Out of Scope Revisions are generally revisions that markedly alter the essential identity of the scope of work, or when the method or manner of anticipated performance is so drastically and unforeseeably changed that the result is outside the original scope of work. Cardinal revisions are **never** handled under the Changes Clause provisions of the contract but are always treated as a new contractual requirement. An example of an out of scope revision would be to add maintenance to a contract whose primary purpose was to acquire equipment.

Statement/Scope of Work (SOW) is the portion of a contract that describes the actual work to be performed by the Contractor by means of: 1) specifications or other minimum requirements, 2) quantities, 3) performance dates, 4) time and place of performance of services, and 5) quality requirements.

Unilateral Revisions are contract revisions where the Contractor's consent prior to the placement of the revision is not required. Examples of a unilateral contract revision include modifications to the Sandia Delegated Representative (SDR), reclassification, and correction of clerical errors that do not affect the SOW or other clauses of the contract. Unilateral revisions may also be used to make revisions authorized by clauses other than a changes clause (*e.g.*, Property clause, Options clause, or Suspension of Work clause); and to issue Terminations of a Contract.

While typically not required, the SCR may require the Contractor to sign the cover page of the unilateral revision.

Bilateral Revisions are contract revisions where the Contractor's consent prior to the placement of the revision is required. Examples of bilateral revisions would include modifications to the SOW, additions or deletions to the Allowable Charges clause in a contract, revisions in quantities and delivery dates, and other major revisions in the terms and conditions of the contract. They are also used to make negotiated equitable adjustments resulting from the issuance of a change order and to definitize letter contracts.

A cover page signed by the Contractor is required for any bilateral revision exceeding \$100,000.

Contract Revision Procedures - 4.1.G.1

Revisions to Contracts - 4.1.G.1.a

Modifications to contracts are accomplished by issuing written revisions, which may be initiated by the line organization with an approved Purchase Requisition (PR), or may be initiated by the SCR or the Requester without a PR for revisions that have a value less than \$25,000.

With the exception of an increase to the limitation of obligation (Policy and Guideline 6.8 Incremental Funding), only the SCR has the authority to issue a contract modification.

The SCR may issue a modification by electronic communication in urgent circumstances when the revision is within the SCR's approval level or when the requisite approvals have been obtained. A written revision or other appropriate documentation shall follow up such revisions.

Contract Revision Process - 4.1.G.1.b

The SCR should use the process stated below in the execution of a contract revision.

Step	Who	Process
1	Requester, or Contractor	Issues a request for a contract revision via e-mail, documented telephone call, written correspondence, or PR.
2	SCR	<ul style="list-style-type: none"> Reviews contract file documentation, <ul style="list-style-type: none"> Procurement Action Summary (PAS) or Procurement Action Document (PAD), existing contract documents, past performance history, and customer surveys ,if applicable Considers and conducts necessary discussions with the Requester and the Contractor. Evaluates the request to determine if the revision is within the scope of the SOW. Determines if clauses will need to be revision/added/deleted. Determines if the revision is bilateral or unilateral. If the revision is unilateral, skip to Step 9.
3	SCR	<ul style="list-style-type: none"> For a bilateral revision, prepares the solicitation, <ul style="list-style-type: none"> Determines the format of the solicitation, i.e. written document, e-mail, DPSRO and/or Oracle document, fax, or documented telephone call. Determines and obtains the required approvals. Creates the solicitation package, if applicable. Issues revision solicitation.
4	Contractor	<ul style="list-style-type: none"> Prepares and submits response/proposal to the solicitation.
5	SCR	<ul style="list-style-type: none"> Receives the Contractor's response/proposal. Assures that the information received from the Contractor is adequate to evaluate the response/proposal. Evaluates the Contractor's response and determines the need for:

		<ul style="list-style-type: none"> ○ preaward audit, and/or ○ technical evaluation from the Requester, and/or ○ other reviews as required.
6	Requester	<ul style="list-style-type: none"> • Reviews Contractor response, if necessary. • Submits a written evaluation of the cost elements on Request for Technical Evaluation of Cost Proposal – RFQ or Evaluation of Cost Quotation to the SCR. • Submits written evaluation on other issues as directed by the SCR.
7	SNL Audit	<ul style="list-style-type: none"> • Conducts preaward audit, if required.
8	SCR	<ul style="list-style-type: none"> • Negotiates the Ts&Cs and cost/price of the revision.
9	SCR	<ul style="list-style-type: none"> • Determines the necessity and obtains other documents including but not limited to: <ul style="list-style-type: none"> ○ Contract Security Classification Specification (CSCS), ○ Wage Determinations, ○ Financial Approval, ○ OCI approval, ○ Government-Furnished Property Justification (GFP), and ○ Subcontracting Plan revisions. • Creates contract revision in Oracle and/or DPSRO. • Prepares the supporting documentation for the revision. For example: <ul style="list-style-type: none"> ○ PAS or PAD, ○ Memorandum/letter to the file, ○ Long text/short text memo to the file ○ Approval Note (administrative revisions only). • Obtains necessary approvals. • Distributes the contract revision to the Contractor. • Submits the supporting documentation for electronic filing. • Notifies Requester that the revision has been completed

Considerations in the Revision of a Contract - 4.1.G.2

A contract revision may trigger revisions to other areas of a contract. Therefore, some of the issues that should be considered include:

- Considerations for the Requester

- Considerations for the SCR
- Price Justification Issues

Considerations for the Requester - 4.1.G.2.a

The Requester, with the assistance of the SCR, should consider the following issues and questions when revising the PO or contract:

Issues:

- Do the revisions affect Quality Significant requirements?
- Are the proposed revisions consistent with the existing SOW?
- How are Period of Performance and Schedule affected?
- If the pricing of the contract is by rate, how are Allowable Charges provisions affected?
- What are the deliverables, quantities, dates of delivery for any items or services procured under the revision?
- Does this revision execute existing options? How does the statement of work affect existing options?
- What are the phases and tasks of the revision?
- What are the revisions milestones?
- What is the payment schedule and mechanism of payment to the Contractor?
- How is the Limitation of Obligation affected?
- Does the Revision affect Government-Furnished Property (GFP)?
- How are security considerations (level of security, place of performance) affected by the revision?
- How does the revision affect Project, Task, DPAS Government Priority rating, and expenditure organizations?

Does the revision change the Sandia Delegated Representative (SDR), Requester, and/or points of contact?

- Does the revision conflict with other provisions of the contract?
- Does the revision reflect a relaxation of the requirements that would require consideration from the Contractor?
- If the contract is a Cost-Plus-Fixed Fee contract, how will the additional fee be paid?

Fee should not be paid as a percentage of cost incurred.

The SCR shall document the contract file as necessary.

Considerations for the SCR 4.1.G.2.b

In addition to the issues discussed above, the SCR should consider the following:

- Is the proposed contract revision appropriate or should a new contract be written?
- Is the proposed revision within the scope of the contract?
- Depending on the estimated dollar amount of the proposed revision or if proposed provisions were not incorporated in the original procurement, should a new solicitation be issued for the revision(s)?
- Is the proposed contract revision materially different from the SOW for which competition was held? If so, the subject of the modification should be competitively procured unless a sole-source award is appropriate.
- Is the contract revision unilateral or bilateral?
- Does the revision require an extension of the period of performance of a contract? Is an extension of the period of performance appropriate?
- What was the previously approved contract amount? Will a higher approval authority be required for this revision?
- Does the revision require the incorporation of additional clauses? If a contract revision increases the total dollars committed to a level requiring additional standard clauses, the SCR shall negotiate with the Contractor inclusion of the applicable clauses within the contract revision.
- What are the effects of the revision on other contracts?
- Does the revision alter the basis for Contractor selection?
- Is financial approval required for the revision?
- What is the effect of the revision on the Limitation of Obligation?
- If GFP is being added to the contract, do you have an appropriate Property Justification?
- Does the revision affect Wage Determinations such as the Service Contract Act?
- Will a new or revised security documentation, such as a CSCS, FOCI be required?
- Will the revision require modifications of Small and Disadvantaged Business Subcontracting Plans?
- What are the affects of the revision on any existing options?
- Does the revision affect any legal issues and approvals?
- Does the revision affect Intellectual Property issues?
- Does the revision create any Organizational Conflict of Interest issues?
- Will the revision require an EEO Preaward Clearance?
- Are DOE approvals required for the revision?
- Does the revision represent ratification? If so, have the required documents been

submitted to the SCR?

- How will process revisions be communicated?
- Is consideration required? If the contract revision represents a relaxation of the requirements, the SCR should request consideration from the Contractor in terms of a contract price reduction, better terms and conditions, etc.
- Will Team Review be required?
- What Management Approvals will be required? Will management approval thresholds be crossed that will require a higher level of approval?

The SCR shall document the contract file as necessary.

Cost and Price Justification Issues - 4.1.G.2.c

The SCR should consider the following in the justification of the cost/price for a revision:

- Does the proposed contract cost/price represent the true cost of the revision or is there any attempt by the Contractor to “get well” for work that the Contractor underbid?
- How will the SCR justify cost/price? Will price analysis or price and cost analysis be used? Will the Contractor be required to submit price and cost data that will require a certification?
- Is this revision for an overrun on a Cost-Plus-Fixed-Fee contract?
 - What is the reason for an overrun?
 - If the overrun does not represent added work, additional fee shall not be added.
- Revisions for overruns on fixed price contracts cannot be issued if work was not added to the contract.
- Approval levels for the cost/price of a revision are determined by the cumulative value of work added and work deleted.
- The profit or fee negotiated for a revision should be specific for the revision and may not necessarily be the same percentage as the fee negotiated for the original contract.
- If the original contract was for the production of items, does the revision price properly exclude non-recurring costs such as tooling costs, design costs and development costs?

The SCR should refer to Guideline 3.2 - Contract Price/Cost Considerations for additional information.

The SCR shall document the contract file as necessary.

Contract Revisions Documentation - 4.1.G.3

Funding Documentation - 4.1.G.3.a

An approved PR should be obtained prior to initiating a modification, which increases the commitment of funds by more than \$25,000. Lack of an approved PR could result in an unfunded commitment. The SCR may revise a contract without a requisition if the value of the revision is less than \$25,000.

However, the Requester's intent to increase funding for an amount greater than \$5,000 but less than \$25,000 must be clearly communicated to the SCR and documented (memo, letter, e-mail, fax, or phone call). In addition, this documentation should list the project and task number, expenditure organization and the DPAS rating, if applicable. No additional funding authorization documentation from the requester is required for an increase in funding of less than or equal to \$5,000. However, it is a prudent business practice to document requester's consent for any increases in the funding authorized in a contract.

Supporting Documentation - 4.1.G.3.b

The SCR should document the reasons, circumstances, and consent of the Requester (if necessary) for any revision to the contract either by completing a PAS, PAD (where applicable), memorandum to the file, or other documents as listed below. (See Guidelines 3.2 Price/Cost Considerations and 10.4 – Procurement Action Summaries.)

Oracle long text/short text memo to the file may be used for contract revisions under \$100,000.

Oracle Approval Note is sufficient to document administrative revisions. When used in this application, the note must describe the purpose of the revision. As a good business practice, the SCR can use the Approval Note to describe and track revisions.

Unilateral Revisions - 4.1.G.4

Administrative Revisions - 4.1.G.4.a

The SCR may initiate administrative revisions to contracts by issuing a unilateral revision. Administrative revisions are usually executed to change delegations of authority, change the SCR, commitment reclassifications, and make minor corrections and revisions of administrative issues, etc.

An administrative revision is made without a PR or other authorization from a Requester to make administrative revisions to a contract. Administrative revisions shall not be issued for increases or decreases to price/cost, revisions to the period of performance, decrease of funding in a limitation of obligation, revision to the SOW, or other significant revisions. If an administrative revision does not affect the Contractor, the revision does not need to be sent to the Contractor. However, the SCR should notify the Contractor about the administrative revision.

Directed Change - 4.1.G.4.b

Directed changes are made under the scope of the Changes Clause of the Section II Terms and Conditions for unilateral revisions within the general scope of the contract. A change will result

in a contract revision. If any directed change made by the SCR causes an increase or decrease in the cost or time required for the performance of any part of the work under the contract, whether revised or not revised by any such direction, an equitable adjustment shall be made in the contract price/cost, delivery, performance schedule, and in such other provisions of the contract as may be affected, and the contract shall be modified in writing accordingly. Any claim by the Contractor for adjustment, under the Changes Clause, must be asserted within 30 calendar days from the date of receipt by the Contractor of the notification of change. Directed changes are usually issued for work under \$25,000.

Contractor Initiated Revisions - 4.1.G.5

Sandia Contractors may propose a revision. Acceptance by Sandia of the revision will result in a bilateral revision to the contract. The SCR should consider the following:

- the necessity for the revision, and
- any information that is to be obtained from the Contractor to evaluate the need for the modification including but not limited to:
 - technical information, and/or
 - information to determine cost/price reasonableness.

The SCR should forward the request for review, comment, and/or other action (analysis of the availability of funding) by other interested parties and make a determination based on available information.

References - 4.1.G.6

- Policy and Guideline – 3.2 - Price/Cost Considerations
 - Policy and Guideline – 10.4 - Procurement Action Summaries
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Send feedback on ideas and information on this page to the Process Expert, Randy Shibata.



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